BOARD OF COMMUNITY HEALTH
March 9, 2006

The Board of Community Health held its regularly scheduled meeting in the Floyd Room, 20th Floor, West Tower, Twin Towers Building, 200 Piedmont Avenue, Atlanta, Georgia. Board members attending were Jeff Anderson, Chairman; Richard Holmes, Vice Chairman; Chris Stroud, M.D., Secretary; Inman English, M.D.; Mary Covington; Ross Mason; Kim Gay, and Mark Oshnock. Commissioner Rhonda Medows was also present. (A List of Attendees and Agenda are attached hereto and made official parts of these Minutes as Attachments # 1 and # 2).

Mr. Anderson called the meeting to order at 12:07 p.m. The Minutes of the February 9 meeting were UNANIMOUSLY APPROVED AND ADOPTED.

Mr. Anderson said the board will be taking a tour of the Marcus Institute after the next board meeting on April 13, 2:30-4:30 p.m. On March 2 the board attended an ethics training led by Dr. Betty Siegel, President of Kennesaw State University. He thanked Dr. Stroud for his service to the board for the last one and one-half years. Mr. Anderson thanked Dr. Parker and Ms. Gay for accepting their reappointments to the board. He also mentioned that a number of news articles had appeared lately about Estate Recovery. Mr. Anderson said although this law was federally mandated in 1993, Georgia is the last state to institute these laws.

Mr. Anderson asked Dr. Medows for the Commissioner's report. Dr. Medows said DCH division heads will give several updates today: 1. Kathy Driggers, Chief, Managed Care and Quality, will be presenting an update and current status of the Medicaid managed care transition; 2. John Hammack, Senior Vice President and Managing Director of ACS, will be updating on the status of the information systems testing and integration; 3. Carie Summers, CFO, will be presenting news about the Hospital Advisory Committee in addition to the Disproportionate Share Hospital Public Notice and Indigent Care Trust Fund rules; 4. Laura Jones, Legislative and External Affairs Director, will present an update on the Department's three legislative proposals; and 5. Mark Trail, Chief, Medical Assistance Plans, will discuss the non-profit Pharmacy Public Notice.

Ms. Driggers said the managed care transition is in a very critical phase of the implementation. She said there are two phases of readiness review--systems and operational readiness reviews. DCH has contracted a vendor, the FourThought Group, to perform systems readiness reviews on all partners. The FourThought Group has done two readiness reviews on different phases. Ms. Driggers and her managed care staff will perform the operational readiness reviews at the partner's corporate locations as well as local offices. A part of the readiness review will be to ensure that contractural requirements have been met and all are in place. This is done by looking at performance expectations in terms of how they will be monitored going forward such as member services (outreach and education), provider services, and contract management. Desk reviews have been done and now on-site visits have been scheduled. By the first week in April, all readiness reviews will have been performed.

Ms. Driggers said the network development for all of the plans is proceeding well. The targeted geographical access standard for most provider access is 90 percent; that means that the expectations in a particular area are 90 percent of the members will have access to at least one provider within the established geographic access standards. Ms. Driggers said all of the plans have met the standards with primary care physicians, both in Atlanta and the Central Regions, Behavioral health, dental, pharmacy and vision providers are meeting the standard at 100 percent. Ms. Driggers said the hospital network development is moving along and both the hospitals and plans report that contracting efforts are expected to be finalized during March.

Ms. Driggers reports that as of yesterday total enrollment for the Atlanta and Central Regions was 211,617 members—members who have actually made a choice—166,644 in Atlanta, 44,830 in Central region. About 57 percent of members make their choices via phone; 32 percent mail their enrollment forms; 3 percent through IVR and 8

percent via the web. Recently two types of mailings were sent to members: reminder letters to members who have not made a choice and confirmation letters to members who have made a choice, reminding both groups that the implementation date had changed to June 1. The enrollment broker has strategies to increase voluntary enrollment – outbound calls, broadcast messages, a call to action media campaign, broadcast coverage on radio and television including using noteworthy individuals in media spots, and placing enrollment materials in high volume venues. Ms. Driggers concluded the update after addressing questions from the board.

Mr. John Hammack, Senior Vice President of ACS and Managing Director of the Georgia Health Partnership, began an update on the status of the information systems testing and integration. He said testing has been closely coordinated with DCH and partners, is fully resourced, on schedule, and June 1 implementation is a certainty. Mr. Hammack said the enrollment broker function at ACS was moved into production this past weekend, positioning ACS to begin exchanging data with the enrollment broker on a daily basis. Key plan dates are March 13 - enrollment broker interface in production; March 20 to April 10 – CMO interfaces Integrated Systems Test; April 15 – DCH Go/No Go Decision; April 19 – CMO interfaces in production; May 8 - initial roster to CMOs; May 25 – final roster to CMOs; and June 1 – Atlanta and Central Regions go live.

Mr. Anderson asked Ms. Driggers when is the cutoff for enrollees to pick their plan. Ms. Driggers stated that normally a member would have 30 days from the time they get their enrollment packet leading up to the 25th of the month--that's when auto assignment would occur if the member does not make a choice. In the first two regions members will have until April 30 to make a choice before the first auto assignment is run. Ms. Driggers said members have 90 days to change their plan. Mr. Anderson asked Mr. Hammack how does that affect IT when there is a flurry of activity. Mr. Hammack and Ms. Driggers agreed this would not affect IT and would become a daily exchange of information.

Mr. Hammack outlined ACS's progress. Phase 1 – Prospective Member Eligibility and Enrollment Broker Programs – readiness review successfully completed; Phase 2 – CMO rosters, capitation, provider, payment and recoupment – system/user acceptance testing finish March 17, integrated system test begins March 20; Phase 3 – Monthly reports, web programs, federal reports and health check programs – development complete; web system testing 50 percent; Phase 4 – Encounter processing, NCPDP and Systems Documentation – development in progress; and Phase 5 – DSS/MARS/SURS – development in progress. Mr. Hammack described the various interfaces: including the new care management organizations, enrollment broker applications supplied by Maximus, and all the interfaces or data exchanges between these entities. Mr. Oshnock asked when April 15 comes around, what is Mr. Hammack's estimate of the most likely cause of a "no go." Mr. Hammack stated that at this particular point he did not have one. He said they have reviewed the landscape; the risks are the same as when the project was started and that is if one or more of the partners stumble; however, he did not see that happening because everyone is working in the same direction with a common purpose of reaching April 15, May 8 and May 25 dates. (A copy of the Georgia Healthy Families Update is attached hereto and made an official part of these minutes as Attachment # 3).

Mr. Anderson called on Carie Summers, CFO, to give her report. Ms. Summers began with a review of the Final FY 06 Budget which was passed by the Legislature and the bill is on the Governor's desk for signature. In summary there were two additions: a pilot project in Liberty County with the Community Health centers ($1 million total funds) and 10 new slots in the Independent Care Waiver Program ($137,725 total funds). There were three reductions; add funds to replace the loss of Upper Payment Limit (UPL) funds ($1.7 net reduction), use savings generated from Medicaid efficiencies

($1 million net reduction), and reduce Medicaid benefit funds based on savings from lower cost in pharmacy and outpatient services ($1.5 million net reduction). The elimination was $1.5 million associated with the Medicaid Modernization contracts. Realignments were funding for Hughes Spalding Children's Hospital moved from the ICTF to Health Care Access and Improvement Program ($2 million total funds); and $1.3 transferred from DHR to DCH for mental health services covered under Georgia Healthy Families. Ms. Summers pointed out two areas of concern: 1. legislative cuts made in FY 2006 that are not expected to be realized and were not funded: a. ER Pilot Expansion ($3.1 million), moving nursing home residents to SOURCE ($800,000), and disease management ($13 million); and 2. the change in implementation date of Georgia Healthy Families was not reflected in the budget. This will increase the department's state fund cost in the Low income Medicaid program by $3.9 million and reduce expected CMO Quality Assessment Fee revenue in the ICTF by $14 million. Overall, the DCH FY 06 budget increased by 4.3 percent. After addressing questions from the Board, Ms. Summers continued with an update on the FY 07 budget. (A copy of the Final FY 2006 Amended Budget – HB 1026 memo to the Board is attached hereto and made an official part of these minutes as Attachment # 4).

Ms. Summers said the status of the FY 07 budget is the House has passed its version and is now in the Senate. She reviewed the substantial changes--adding three line items to the Health Care Access and Improvement Programs (two related to cancer research and treatment facilities); providing one-time funding to the Georgia Association for Primary Health Care to establish a statewide electronic medical records system for community health centers; provide for giving $20 for personal allowance to all nursing home residents; and numerous increases in budget cuts—mainly the ASO proposal and the Department's proposal to tighten up on the application of eligibility criteria. Ms. Summers stated that the FY 07 budget includes $12.1 million in cuts to state funds and one cut she is particularly concerned about is increasing the amount of interim hospital cost settlements that DCH is slated to collect. Additions to the budget includes adding 152 slots in the ICWP ($8.5 million total); providing dental coverage for pregnant women ($2.5 state funds); increase reimbursement rates for Health Checks ($1 million); and increase reimbursement rates for speech therapy visits ($350,000 state funds). She said one major item that is under discussion is to increase the nursing home provider fee to the maximum level allowed by the federal regulations which represents a sizable increase in reimbursement to nursing home facilities. Ms. Summers said two items that have been placed in the budget relative to the State Health Benefit Plan are requiring the SHBP and the Board of Regents (BOR) plan to offer a health reimbursement arrangement and funding a health incentive account ($2.5 million reduction) and eliminating prescription coverage for proton pump inhibitors ($9.5 million reduction). She will give a full update on the FY 07 budget at the next board meeting. After addressing questions from the Board, Ms. Summers concluded the FY 07 budget update.

Mr. Anderson called for a 10-minute break. Ms. Summers resumed with discussion about the Indigent Care Trust Fund and Disproportionate Share Hospital Program. She first described the Hospital Advisory Committee, gave an overview of the committee's monthly meeting agendas, and the guiding principles which shaped the allocation model that will be presented today. She said the six-member data subcommittee was a key component to all of the work done by the Hospital Advisory Committee. The subcommittee was tasked with reviewing federal regulations for calculating uncompensated care and considering and addressing concerns raised in FY 05. Myers and Stauffer, a national CPA firm with expertise in DSH, provided technical support to the subcommittee.

The primary changes made in calculations are using 2004 data, using independent data sources when available, and revising the DSH survey and instructions. Ms. Summers said a facility has to meet both the federal criteria and at least one state criterion to be eligible for DSH. She reviewed the steps to determine allocation: 1. identify the amount of DSH available, 2. determine each hospital's DSH limit, 3. make adjustments to individual DSH limits for three reasons: recognize that public hospitals contribute IGTs for UPL and DSH payments; negate the impact of adjustment payments related to medical education, neonatal services or services provided under contract with the Department of Human Resources; and recognize hospitals that disproportionately provide care to Medicaid members and low income citizens with a 10 percent increase in their DSH limit, 4. create a pool for small rural hospitals based on the amount paid to the group in FY 05, 5. create a secondary pool for all other hospitals out of the remaining DSH funds, and 6. ensure allocations to private hospitals do not exceed available state matching funds. The preliminary allocation, pending data validation, is $417.7 million--$63.8 million in Pool 1 (small rural hospitals) and $353.9 million in Pool 2 (all other hospitals). The 2006 net payments total $267,141, 008.

Ms. Summers said the next steps are: in March ask the board to publish for public comment a public notice of FY 2006 DSH Eligibility Criteria and Allocation Methodology and ICTF Rule changes; validate hospital data and calculations and submit a state plan change to the Centers for Medicare and Medicaid Services. In April, the board will hear public comment on the public notice and rule changes and review and vote on eligibility and allocation proposed. In May the board will review and vote on ICTF rules and DCH will engage with CMS in the State Plan Amendment review process. In June, depending on CMS approval, DSH payments will be disbursed.

Mr. Anderson asked when FY 2007 payments can be expected. Ms. Summers said since funds are available in October, the ideal goal would be to make quarterly payments. A more intermediate goal would be to make annual payments in December, which hospitals are use to. Dr. Stroud asked if CMS approval is delayed, does the Department have the mechanism to make interim payments. Ms. Summers said at its last meeting the Hospital Advisory Committee made a formal motion to request that the Department consider making interim payments to help cash flow situations. She said she has had preliminary conversations with the General Counsel about the legality of making interim payments given that the ICTF rules are suspended and the Department is in the process of submitting a state plan amendment. Mr. Anderson asked that the Department seek an opinion from the Attorney General's office by the April board meeting. Mr. Anderson thanked Hospital Advisory Committee Co-Chairs David Seagraves and Bob Colvin, Glenn Pearson and members of the Hospital Advisory Committee for their hard work. (A copy of the Commissioner's ICTF and DSH Program memo to Members of the General Assembly is attached hereto and made an official part of these minutes as Attachment # 5). (A copy of the FY 2006 Disproportionate Share Hospital Program Recommendations from the DCH Hospital Advisory Committee is attached hereto and made an official part of these minutes as Attachment # 6).

Neal Childers, General Counsel, presented for initial adoption proposed revisions to rules governing the Indigent Care Trust Fund. Mr. Childers brought to the board's attention two significant changes: 1. Page 14, the proposal to repeal in its entirety 111-3-6-.03(4)13. This provision currently contains a mandatory requirement that a hospital receiving DSH payment allocate no less than 15% of those funds for primary care. The Department has been informed by CMS that the statutory purpose of DSH payments are reimbursement for uncompensated care and the Department cannot legitimately place restrictions on the hospitals use of these funds. The second significant change is on page 16—the addition of paragraph 8 which provides for DSH payment adjustments to private hospitals shall be funded by state general funds appropriated for this purpose, and paragraph 9 provides for DSH payment adjustments to public hospitals shall be

funded by intergovernmental transfers or certified public expenditures. Mr. Holmes MADE a MOTION to publish for public comment proposed revisions to Chapter 111-3-6 Indigent Care Trust Fund rules. Ms. Covington SECONDED the MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of Chapter 111-3-6 Indigent Care Trust Fund Rules is attached hereto and made an official part of the Minutes as Attachment # 7.)

Laura Jones, Legislative and External Affairs Director, updated the board on the status of DCH legislative proposals. She said House Bill 1308, the Provider Fee bill, includes a provision to keep the Georgia managed care provider fee in line with the amount permitted by federal law. This is mainly a housekeeping provision that would keep Georgia in compliance if the federal government ever changed the cap. The language in the bill changes the current 6 percent cap to reference the amount allowed by federal law. The bill also requires that the quality assessment fee paid by each care management organization be paid monthly rather than quarterly. This bill passed the full House on March 2, and it is currently pending in the Senate Health and Human Services Committee.

House Bill 1372, SHBP Revisions, would allow for termination of coverage for employees if the employer share of the premium is not remitted to DCH. The bill would require the commissioner of DCH to advise each payroll location of the employer premium not less than 30 days prior to the beginning of the new plan year. Also, the bill sought to require a waiting period for all bills introduced that affect eligibility or benefit requirements of the SHBP. The bill was amended to delete this provision in subcommittee. The bill then went on to the full committee and passed without the provision being included. That bill is pending in the Rules Committee and is expected to be on the calendar on crossover day.

Senate Bill 572, Medicaid Managed Care, would ensure that appeals on issues related to denials, non-payment or determination of a claim are to be handled between the CMOs and the providers. It would also modify the existing Medicaid Fraud Statute to recognize the reality of Medicaid managed care. The bill came out as a committee substitute on March 6. The committee substitute explicitly creates an independent administrative review process on claims payment issues in disagreement between the providers and CMOs. Ms. Jones addressed questions from Mr. Mason about House Bills 1178 and 1224 and concluded her report.

Mr. Anderson asked the board to return to the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice. Ms. Covington MADE a MOTION to publish for public comment the Disproportionate Share Hospital and Indigent Care Trust Fund Hospital Payments Public Notice. Mr. Mason SECONDED the MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED.

Mr. Anderson called on Mark Trail, Chief, Medical Assistance Plans, to review the Pharmacy Public Notice. Mr. Trail said the Pharmacy Public Notice was first brought to the board at the January 12 meeting, public comment was taken at the February meeting and the board voted to delay voting until the March meeting seeking more information. Board members were provided additional information prior to this meeting which included comments from the Department, Georgia Hospital Association, Georgia Pharmacy Association, and the Georgia Society for Health-System Pharmacists as well as results of a survey conducted by GHA. Ms. Gay MADE a MOTION to approve the Pharmacy Public Notice. Ms. Covington SECONDED the MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED. (A copy of the Pharmacy Public Notice is attached hereto and made an official part of the Minutes as Attachment # 8).

Mr. Anderson called for public comment. Burnis D. Breland, Pharm.D., Director of Pharmacy and Clinical Research, Columbus Regional Medical Center; and Cal Calhoun, Vice President of Financial Services, Georgia Hospital Association, gave comments.

Mr. Anderson moved on to new business. He MADE a MOTION to elect Mr. Oshnock as Secretary to the Board. Ms. Covington SECONDED the MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED.

Mr. Anderson MADE a MOTION to elect Ms. Gay as Chairman of the Care Management Committee. Ms. Covington SECONDED the MOTION. Mr. Anderson called for votes; votes were taken. The MOTION was UNANIMOUSLY APPROVED.

Mr. Anderson called on Mr. Mason to offer comments. Mr. Mason said he had become engaged to marry someone who is a Certificate of Need lobbyist. In addition, his father has a financial relationship with that business. Mr. Mason said he has disclosed this information with the Board and is now disclosing this publicly. He said any issues, with the advice of legal counsel that comes before the board that is inappropriate for him because of these personal relationships, he would recuse himself.

There being no further business to be brought before the Board at the meeting Mr. Anderson adjourned the meeting at 2:47 p.m.

THESE MINUTES ARE HEREBY APPROVED AND ADOPTED THIS THE

_____ DAY OF _____, 2006.

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JEFF ANDERSON
Vice Chairman

ATTEST TO:

_____
MARK D. OSHNOCK
Secretary

Official Attachments:

#1 List of attendees
#2 Agenda
3 Georgia Healthy Families Update
#4 Final FY 2006 Amended Budget – HB 1026 memo
#5 Commissioner's ICTF and DSH Program memo
#6 FY 2006 DSH Program Recommendations
#7 Chapter 111-3-6 Indigent Care Trust Fund Rules
#8 Pharmacy Public Notice